LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 7957
BILL NUMBER: SB 542

DATE PREPARED: Apr 7, 1999
BILL AMENDED: Apr 5, 1999

SUBJECT: State real property.

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill has the following provisions:
(1) That the Indiana Department of Administration may lease real or personal property owned by the state for a term of more than four years, but not more than ten years, if the Commissioner of the Department makes a written determination stating the reasons it is in the best interests of the state to enter into such a lease;
(2) That a separate body corporate and politic may perform the functions assigned to the Indiana Department of Administration under the statute governing state real property with respect to real property the separate body holds in the name of the state and provides that such a body may request that the Indiana Department of Administration perform those functions;
(3) Allows the Indiana Department of Administration to enter into a lease of real property with a term of more than four years, but not more than ten years, on behalf of an agency if the Commissioner makes certain written determinations;
(4) Requires the Indiana Department of Administration to notify state universities and political subdivisions of the availability of surplus state real property available for acquisition at the same time the Department notifies state agencies;
(5) Shortens from 60 days to 30 days the time during which a political subdivision may notify the Department of interest in acquiring surplus state real property;
(6) Authorizes the Indiana Department of Administration to transfer state real property to another person in exchange for like real property to settle a dispute involving any of the real property without first offering the property to other state agencies or at a public sale if the value of the state property does not exceed $10,000;

(7) Allows the governing board of a hospital to dispose of personal property so long as the property's value does not exceed $15,000. (Current law provides that the property's value may not exceed $5,000.);
(8) Allows the Department to grant an easement in state real property without money consideration and without the approval of the Governor; and
(9) Also allows the Department to enter into a real property transaction with the United States not otherwise specifically authorized by the statute.

Effective Date: (Amended) July 1, 1999; Upon passage.

Explanation of State Expenditures: Provision (1) allows the state to enter into a lease for ten years instead of four years. If the state can use a longer lease commitment to negotiate lower monthly rental payments, state expenditures will decrease. The ability to lease property for a longer period of time will also allow the state to reuse space more frequently instead of having to lease new space.

Under current law, to transfer properties between agencies, the Department of Administration (DOA) must first notify the Department of Natural Resources's Division of Historic Preservation and Archaeology of the proposed transfer before transferring the property to another entity. Provisions (4) and (5) require the DOA to notify state educational institutions, other state agencies and municipalities at the same time notice is given to DNR, which shortens the current notification time line considerably. By sending the required notices out all at once instead of at staggered intervals as is the requirement under existing law, the property can either be put to use by a governmental entity or sold. Expenditures will decrease if the property is transferred to a governmental entity which has been renting space, and if the property is sold, the collection of state revenue will begin earlier because the property will be back on the tax roles more quickly.

Provision (6) will increase state expenditures if properties under $10,000 must be appraised by the state, (instead of the individual) before the properties can be transferred to an individual. The cost for an appraisal depends on the nature and size of the property and the level of detail required, and can range from several hundred to several thousand dollars.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) (7) The provision that allows county hospital governing boards to dispose of personal property with a maximum value of $15,000 may decrease administrative expenses associated with public notice advertising, auctioning, or requesting bids. (Current law sets the maximum value of the personal property at $5,000.) The extent of the savings will depend on how much personal property county hospitals want to dispose of with values between $5,000 and $15,000, and the cost that would have been incurred to advertise, auction, or request bids.

Explanation of Local Revenues:

State Agencies Affected: Department of Administration; state educational institutions.

Local Agencies Affected: County hospital governing boards.

Information Sources: Jay McQueen, Department of Administration, (317) 232-7636.